

**CHAPTER IV**

**GREECE DECISION TO REJECT THIRD TROIKA BAILOUT**

**POLICY 2015**

This chapter will analyze the reason behind the attempt of Greece to reject the third Troika Bailout policy in 2015. There were two main reasons for Greece attempt to reject the third Bailout policy. First was the massive societal pressures built up by the society in form of massive anti austerity movement as the response of the structural adjustment programmes implementation which harm the society life. Second was the changing government into domination of Syriza party which had left socialist ideology. With the support from the society, the government attempted to reject Third Troika bailout 2015 as a three-yearprogramme from Troika.

**A. Societal Pressures as the Impact of the Structural Programmes Implementation**

The Greece crisis which had happened since 2009 has given the consequences in both economic and political stability of Greece. Greece crisis was just like the sick person who depended and needed medicines from the Troika to heal their sickness. The impact of austerity measures implementation as the condition to receive bailout traumatized the society with what had happened in

Greece. The expectation to get a better condition was far away to the realization. The austerity measures which had done by the society brought the country to the worse condition both economically and politically. It showed that the GDP rate remained low, the unemployment remained high, the poor got poorer, the social services got harder to reach by the low economy class people, the skepticism got higher toward the government, and the crime rates got higher as the impact of the austerity programmes. The society developed the protest mobilization for anti austerity movement as the result of the Troika failure for healing the crisis. The anti austerity mobilization happened from 2010 until 2015. There were three main anti austerity mobilization waves. The actions taken by the anti austerity measures were in form of demonstrations, suicides, police violence, assassinations, civil disobedience, riot, occupations, sit-ins, and strike actions. The protesters came from various society classes who were against the austerity measures. The first anti austerity protest waves rose in 2010 after receiving first bailout package. The second wave of anti austerity mobilization happened in 2011. The third mobilization was in 2012.

The first wave protest was purposed for the government which supported Troika. The increasing of retirement, the increasing of wage salary, increasing of added tax value, and particular excises were the measures which had to be implemented by the society triggered the society to take anti austerity movement. The austerity measures tortured the society especially from the lower class society. The protest mobilization was also as a sign that Troika has failed to recover the financial problem. The chaos was getting worse when the police came

out to controlled over the anti austerity measure. The people did mass strike toward their job went to the street as a form of protest. The protest made the transportation activities on land, air, and sea closed as well as schools, companies, and banks. Approximately 100,000 people on the street demanded the government to eradicate the austerity measures and bring back their prosperous life. The people's anger toward the government, Troika, and EU triggered them to ruin public facilities around Greece Square such as hotels, banks, government buildings, etc. Greece people saw themselves as a government tool to pay the government debt and this made them poorer. As the effect of the first mobilization, there were three people from banker died, dozens people were injured and 37 people were arrested over supposition of triggering the riot(Smith, 2010).

The second wave mobilization was triggered by the people of Greece who believed that it was a bad decision taken by the government toward the agreement between Greece and IMF. Greece did not reach the goals based on the memorandum. This led people to take further actions by protesting the anti austerity movement. The expectation to achieve the economic growth after implementing austerity failed. In 2011, the society gave their frustration expression toward the result of the first austerity programmes as well as protested the upcoming bailout on 2012. The second protest mobilization was through peaceful mobilization by the Aganaktismeni movement well known as movement of squares inspired by the occupation in Tahir Square, Cairo, and 15M in Spain. The remain high protesters assembled in front of Greece Parliament in Syntagma

Square from May to July 2011 wanted more democracy system to stop the austerity measures. The second mobilization used the new development protest model which was through social media especially facebook. Less political parties involved because the second mobilization rejected the demonstration violation and political affiliation (Karyotis & Rudig, 2016).

The third anti austerity mobilization wave started in 2012 as the impact of the Prime Minister announcement on continuation for fresh austerity package as the requirement to receive the upcoming bailout package. The Prime minister insisted the parliament to give the majority votes to agree to continue the austerity measures implementation. The new bailout package was important for Greece to avoid the bankruptcy in March since Greece had nothing but depended on Troika bailout. The result was agreed to receive the second bailout package by implementing more austerity package from the Troika. The new austerity package which had to be applied by the society were cutting government budget, cutting employee wage, reducing pension funds, eliminating bonuses, holiday allowance, and massive lay-off. Approximately 500,000 people gathered in front of the parliament protested through demonstration and the worst chaos broke out (Greek Unions Call for Strike as Crisis Talks Continue, 2012). The chaos happened until 2015 when the people urged the government to get out from the austerity package trap. The protest mobilization from 2012-2015 involved the political party activities toward the general election. The society expressed their regret through different significant election results.

The chaos was getting worse by the limitation of money withdrawal in bank and it made the government credibility decreased in the society views. It made the society to give more trust to the small parties. The parliament election held in June 2012 gave the society a new opportunity to defense their voice to reject the austerity package. Thus, electoral politics held in June 2012 gave shocking vote result. The reign leading party at that time which was PASOK got significantly decreasing votes while the minor opposition party which was SYRIZA with their radical left-wing ideology got significantly increasing votes to get chairs on parliament. It was also as historical time for Greece for the abolition of bipartite system which had survived since 1974.

### **B. The Rise of Left Wing Party (SYRIZA)**

There was bipartite system which led in the parliament. Since 1974, the center-left PASOK and liberal conservative New Democracy were being dominated parties until the 2012 parliament election. The decreasing trust on the ruling party especially PASOK by the society gave shocking election result on parliament. The skepticism of Greek society toward the Prime Minister Papandreaou under PASOK party got significant reduction in 2012 election. Papandreaou was the one who asked the help from the European Union to get crisis solution. Under the Papandreaou's government, Greece reached agreement with Troika to boost the economic condition by receiving bailout and implementing adjustment programs. As the impact which the society got after

implementing the austerity package, people put no faith on the prime minister. Instead, they gave their faith on minor parties such as the radical left wing party SYRIZA.

In 2011, after receiving first bailout and triggering the emergence of anti austerity movement, the parliament held vote toward the continuation of receiving second bailout. The Papandreou cabinet won 155 votes to 143 with two abstention votes for supporting extra bailout package to avoid the economy collapse(Greek government survives confidence vote, 2011). It influenced the general election in May 2012 in which the left wing parties increased the votes comparing with general election in 2009. According to the election law, the parliament of Greece consists of 300 parliament members. 250 members parliament were elected based on the strict proportional votes while the 50 members were elected as the bonuses for the biggest vote gainer party. The left wing parties which consist of SYRIZA, KKE, and Democratic Left got one third from total chairs in parliament. It was a good start for the left wing parties especially SYRIZA to dominate the parliament. Among the big parties which competed to get the chairs on the parliament, PASOK, New Democracy, Democratic Alliance, and Liberal Alliance were the parties supporting to continue the austerity programmes.

The Greece parliament election in 2015 was a turning point of the country. The radical left party SYRIZA won the election to get the parliament and became the first radical left wing party who won the election. SYRIZA is anti bailout party. As a socialist party, SYRIZA rejected the bailout. By receiving bailout so it means applying the capitalism ideology, while SYRIZA is against with

capitalism. SYRIZA got 149 positions of 300 in parliament, the New Democracy Party got decreasing votes with only 53 chairs on the parliament, and the PASOK significantly decreased in the 7<sup>th</sup> rank among the other parties. However, to get absolute winning, SYRIZA had to have 151 positions of 300 in parliament. SYRIZA established a coalition with the small right wing independent party which got 13 chairs on parliament. Together with the coalitions they dominated the positions in the parliament by having 162 chairs. It was as the historical day for the SYRIZA led by Alexis Tsipras by being the leader which gave high chance to the society to be heard by the parliament to reject the upcoming bailout programmes. The rejection of the third Troika bailout was getting stronger in 2015 on the presidential election. SYRIZA carried the socialist, anti-globalist, and anti-neo liberalist ideology to campaign the eradication of Greece debt and eradication of the austerity programmes.

The 2015 election gave a result to the Alexis Tsipras as the new Greece prime minister from the radical left wing SYRIZA party with platform rejecting the bailout package and wiping out the austerity measures without going out of the European Union. With the prime minister and parliament from the same party, it would be easy to create the decision or policy toward the future of Greek crisis. The presidential election held in 2014-2015 through four rounds. The first round was on December 17<sup>th</sup> 2014, the second round was on December 23<sup>rd</sup> 2014, and third round was on December 29<sup>th</sup> 2014. The coalition of New Democracy and PASOK won 160 votes while the decisive election held in February 2015 resulted the coalition of SYRIZA as the winner. In 2015, the SYRIZA became the ruling

party since the parliament, president, and prime minister were led by them. Under Tsipras's era, Tsipras had negotiation with the creditors proposing new agreement with light policies to replace the previous adjustment programmes. However, the creditor insisted to have similar policies in creating the upcoming bailout package yet harder policies on austerity measures. Alexis Tsipras faced serious problem when he could not end up to get the new agreements while the financial problem was getting worse and the bailout expiration would end in the end of June 2015.

### **C. Decision to Reject Third Troika Bailout**

After the failing to create the new agreement with Troika, on June 27<sup>th</sup> 2015, Prime Minister Alexis Tsipras announced to hold referendum whether Greece wanted to receive or reject the third Troika bailout. The referendum was created to get better negotiations to keep up the Euro while Greece still got the financial assistance from the creditors. It was as the strategy from Tsipras to make the creditors gave up to give the assistance with light policies. The referendum was ratified by the parliament, and president and held in July 2015. The referendum became controversial yet shocking news toward the creditors since it was held within a week. The European elites and creditors viewed Alexis Tsipras as betrayal. Tsipras decision broke the relation between the Greece and European Union since it triggered the decreasing global financial market and global currency especially Euro. Before voting the referendum, many people went to the street for campaigning the rejection of third Troika bailout. The prime minister



assured the society engaging to vote “no” on receiving third Troika bailout. The referendum was established because it was a new stage of government to negotiate the adjustment policies to get light policy. It was kind of protest from the Greek government toward the creditors.

However, the referendum got resistance from PASOK. PASOK questioned the legality of referendum since it was against article 44 section 2 about the procedures on referendum. There are two procedures on referendum: first is for crucial national matters, and second is for social matters with the fiscal exception (The Constitution of Greece: As Revised by the Parliamentary Resolution, 2008). The referendum does not allow fiscal matter. The SYRIZA defended that the referendum was legal because it was according to the first regulation that is for the crucial national matters. The legality claim toward the referendum was proposed to Greece administrative court. The referendum could violate the constitution involving the public finance. The result from the Greece administrative court rejected the claim proposal and stated that the referendum was within the government authority. The parliament held for voting for the referendum with the winning on agreeing to hold referendum for 178 votes of 120 votes with two abstentions (Traynor & Hooper, 2015).

After the referendum announcement by Alexis Tsipras, the country condition heated up. The banks closed and limited the withdrawal for the temporary time to avoid financial panic. The society was tense and panic tended to support the government because the society only had time for a week to decide whether to reject or to receive the bailout package. On the referendum day, for

about 10,000 referendum voting cards were spread all around Greece. The result of July 5<sup>th</sup> 2015 referendum was “OXI” or “no” for third Troika bailout package. Greek people tended to carry solidarity and democracy. For about 61.3% voted for rejecting the bailout package while 38.7% accepted to get third bailout. The result showed that the society highly demanded to reject the third Troika bailout 2015. The rise of SYRIZA party as the ruling party in both executive and legislative area helped the society to reach their demand. Thus, Prime Minister Alexis Tsipras announced to reject receiving third Troika bailout 2015. Alexis Tsipras urged to have immediate negotiation to the creditors to find the economy solution.